

Message Text

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ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 SP-02 USIA-15 AID-05 EB-07
NSC-05 EPG-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01
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/110 W

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R 091532Z MAY 77
FM AMEMBASSY STOCKHOLM
TO SECSTATE WASHDC 0532
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY CANBERRA
AMEMBASSY COPENHAGEN
AMEMBASSY HELSINKI
AMEMBASSY LONDON
AMEMBASSY MADRID
AMEMBASSY OSLO
AMEMBASSY PARIS
AMEMBASSY OTTAWA
AMEMBASSY ROME
AMEMBASSY TOKYO
AMEMBASSY REYKJAVIK
AMCONSUL GOTEBORG
USMISSION EC BRUSSELS UNN
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E.O. 11652: N/A
TAGS: EIND, EINV, ETRD, ELTN, NL, SW
SUBJECT: VOLVO MERGES WITH SAAB TO BECOME SWEDEN'S LARGEST
INDUSTRIAL CONCERN

1. AT A PRESS CONFERENCE ON MAY 6, THE MANAGEMENT OF VOLVO
AND SAAB-SCANIA ANNOUNCED THAT A MERGER OF THESE TWO LEADING
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SWEDISH COMPANIES IN THE MOTOR VEHICLE FIELD WOULD TAKE
PLACE BEFORE THE END OF 1977, ACCORDING TO A DECISION OF
THE BOARDS OF THE TWO COMPANIES. THE DECISION REPORTEDLY
CAME AS A GREAT SURPRISE SINCE THE NEGOTIATIONS PRECEDING IT
HAD BEEN CONDUCTED IN THE DEEPEST SECRECY BETWEEN FOUR
KEY FIGURES OF SWEDISH INDUSTRY, NAMELY MARCUS
WALLENBERG AND CURT MILEIKOWSKY, BOARD

CHAIRMAN AND EXECUTIVE DIRECTOR, RESPECTIVELY, OF SAAB-SCANIA, AND GUNNAR ENGELLAU AND PEHR GYLLENHAMMAR, BOARD CHAIRMAN AND EXECUTIVE DIRECTOR, RESPECTIVELY, OF VOLVO. THE SWEDISH GOVERNMENT WAS FOREWARNED OF THE DECISION THE DAY BEFORE IT WAS MADE, AND THE EXECUTIVE OF THE CONFEDERATION OF TRADE UNIONS (LO) ON THE MORNING OF THE SAME DAY.

2. FOLLOWING THE MERGER, THE NEW CONCERN WILL REPORTEDLY BE CALLED VOLVO-SAAB-SCANIA AND EMPLOY ABOUT 103,000 PERSONS. HEADQUARTERS WILL BE IN GOTEBOG, SWEDEN'S SECOND CITY AND MOST IMPORTANT PORT. THE COMPOSITION OF THE NEW CONCERN'S BOARD AND MANAGEMENT IS STILL UNCERTAIN, BUT SWEDISH PRESS SPECULATION PLACES CURT MILEIKOWSKY AS BOARD CHAIRMAN, PEHR GYLLENHAMMAR AS EXECUTIVE DIRECTOR, AND MARCUS WALLENBERG AND GUNNAR ENGELLAU AS "HONORARY" BOARD CHAIRMEN. IN THEIR CAPACITY AS HONORARY BOARD CHAIRMEN, WALLENBERG (78) AND ENGELLAU (70) WILL BE ABLE TO "KEEP AN EYE ON WHAT THE YOUNGER MEN ARE UP TO."

3. THE PLANNED MERGER WILL MAKE VOLVO-SAAB-SCANIA NORTHERN EUROPE'S LARGEST INDUSTRIAL CONCERN, WITH ANNUAL SALES TOTALING WELL OVER SKR 25 BILLION (\$6 BILLION). IT WILL BE ONE OF THE WORLD'S LARGEST, IF NOT LARGEST, MANUFACTURERS OF HEAVY TRUCKS. PASSENGER CAR CAPACITY WILL BE ABOUT 500,000 UNITS ANNUALLY, WHICH IS ROUGHLY EQUIVALENT TO THAT OF THE WEST GERMAN FORD, LIFTING VOLVO-SAAB-SCANIA TO THE RANK OF A

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MEDIUM-SIZED AUTO MANUFACTURER IN THE WORLD. ACCORDING TO CURT MILEIKOWSKY, THE MERGER WILL NOT SUBSTANTIALLY AFFECT OPERATIONS IN SAAB-SCANIA'S AIRCRAFT DIVISION, WHICH IS ALREADY COOPERATING CLOSELY WITH VOLVO FLYGMOTOR AB, THE AIRCRAFT ENGINE DIVISION OF THE VOLVO COMPANY.

4. ACCORDING TO MARCUS WALLENBERG, THE MERGER WILL INCREASE THE SWEDISH MOTOR VEHICLE INDUSTRY'S COMPETITIVENESS IN WORLD MARKETS AND "ENABLE US TO SURVIVE IN THE HARSH COMPETITIVE CLIMATE NOW PREVAILING." HE ADDED THAT HE DOUBTED THAT EACH OF THE COMPANIES COULD, UNDER THE CIRCUMSTANCES, REMAIN COMPETITIVE INDEPENDENTLY. THE MERGER WOULD REPORTEDLY ALSO MAKE POSSIBLE A MORE EFFICIENT COORDINATION OF PRODUCTION SCHEDULES, THE JOINT PLANNING OF INVESTMENTS, AND COMMON RESEARCH AND DEVELOPMENT PROGRAMS. THESE AND OTHER COORDINATING MEASURES WOULD MAKE POSSIBLE A SAVING OF BILLIONS, ACCORDING TO PEHR GYLLENHAMMAR. GYLLENHAMMAR THOUGHT THAT A MERGER BETWEEN VOLVO AND SAAB WAS THE ONLY NATURAL SOLUTION TO THE PROBLEMS OF BOTH COMPANIES, MAINLY THE PROBLEM OF CREATING A LARGE ENOUGH PRODUCTION VOLUME SO AS

TO BE ABLE TO COMPETE SUCCESSFULLY WITH THE WORLD'S LEADING MOTOR VEHICLE MANUFACTURES. OF PRIMARY IMPORTANCE IS TO BRING DOWN THE NUMBER OF MAN HOURS PER MANUFACTURED UNIT.

5. IN GENERAL, LOCAL TRADE UNION OFFICIALS AND COMPANY EMPLOYEES HAVE TAKEN A POSITIVE ATTITUDE TOWARD THE PLANNED MERGER, ALTHOUGH SOME CRITICISM HAS BEEN DIRECTED AGAINST THE SURPRISE ELEMENT IN ITS ANNOUNCEMENT. SWEDISH GOVERNMENT OFFICIALS ALSO APPEARED TO BE IN FAVOR OF THE MERGER PROVIDED THE GOVERNMENT, IN VIEW OF THE TREMENDOUS IMPORTANCE THE NEW CONCERN WOULD HAVE FOR THE NATION'S ECONOMY AND EMPLOYMENT, WERE GIVEN COMPLETE ACCESS TO INFORMATION ON ITS OPERATIONS AND PLANS. FOR EXAMPLE, SWEDISH INDUSTRY MINISTER NILS ASLING EXPRESSED THE VIEW THAT THE SMALLER SUB-CONTRACTING FIRMS OF VOLVO AND SAAB HAVE EVERYTHING TO GAIN FROM THE MERGER. THE ALTERNATIVE, HE SAID, COULD WELL HAVE BEEN A MERGER WITH FOREIGN COMPANIES, AND THIS WOULD HAVE RESULTED IN A LOSS OF BUSINESS FOR SUB-CONTRACTORS. GYLLENHAMMAR CALMED

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DOWN SOME WORRIED VOICES BY SAYING THAT THE RATIONALIZATION MEASURES ACCOMPANYING THE MERGER WOULD NOT NECESSITATE ANY REDUCTION IN MANPOWER.
PERRY

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